

FDIC State Profile

Fall 2005

Ohio

Job gains in Ohio remained uneven among sectors and locations.

- Ohio added 17,000 new nonfarm jobs during the year-ending second quarter 2005. The professional and business services and educational and health services sectors remained the growth drivers for year-over-year job gains. Conversely, the retail trade, government, and manufacturing sectors registered additional job losses during the same period (see Chart 1).
- The metropolitan areas of **Columbus**, **Cincinnati-Middletown**, and **Canton-Massillon**, gained a combined 9,200 new jobs in the year-ending second quarter 2005, with Canton-Massillon posting the greatest year-over-year rate of growth at 1.3 percent. In contrast, **Dayton**, **Youngstown-Warren-Boardman**, **Cleveland-Elyria-Mentor**, **Sandusky**, and **Springfield** lost a combined 7,300 jobs, with Springfield posting the largest rate of loss at 1.7 percent.
- After recording a modest gain in the year-ending first quarter 2005, Ohio's manufacturing sector slid back into negative territory in second quarter 2005, with job losses mostly in the durable goods sector. The largest losses in the durable goods sector occurred in the Dayton, **Akron**, and **Toledo** metropolitan areas. Job losses in the durable goods sector were highest in the nonmetallic mineral products, furniture and related products, and primary metals sectors.
- Ohio consumers quickly felt the effects of the Gulf Coast hurricanes as higher gas prices took a larger share of their paychecks. Should energy prices remain elevated, some energy-dependent manufacturers (especially auto producers and suppliers) may see profit margins squeezed; farmers may see higher harvest and shipping costs; and, ultimately, consumers may alter their spending and travel habits. Still, other industries associated with building materials and construction likely will see demand for their products increase as rebuilding efforts commence in the affected areas.

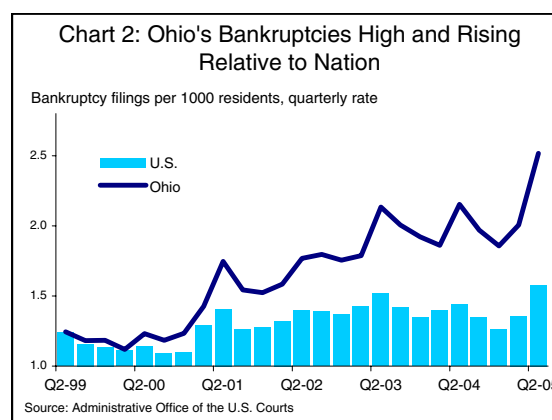
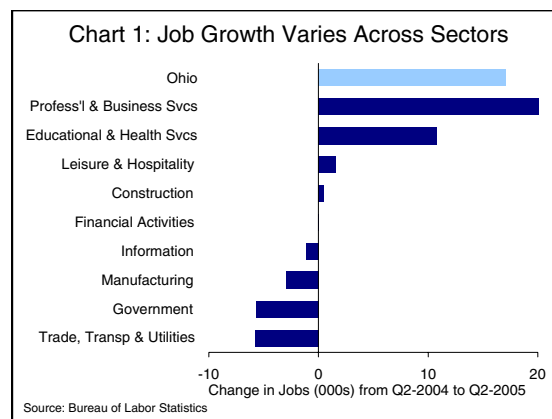


Table 1: Second Quarter Profitability Improved from Higher Net and Noninterest Income

Income statement contribution (percent of average assets)	3 months ended June 30		Percentage Point Change
	2004	2005	
Net Interest Income	3.49	3.55	0.06
Noninterest Income	0.62	0.70	0.08
Noninterest Expense	-2.65	-2.71	-0.06
Provision Expense	-0.19	-0.14	0.05
Security Gains & Losses	0.07	0.05	-0.02
Pretax Net Income	1.34	1.44	0.10
Income Taxes	-0.38	-0.41	-0.03
Net Income (ROA)	0.96	1.04	0.08

Source: FDIC. Merger-adjusted data for Ohio's Community Institutions

Ohio mortgage borrowers seem more financially stressed.

- Data from Trans Union show an increasing percent of Ohio mortgage borrowers are unable to keep their mortgage payments current. The ratio of mortgage borrowers residing in Ohio who are 90 days or more past-due stood at 2.14 percent, well above the national average of 1.16 percent and the highest among the states composing the Chicago region. Continual job losses in the manufacturing sector over the past four years likely played an important role in the level of financially stressed borrowers. Moreover, recent increases in the use of adjustable rate mortgages could further strain some highly leveraged borrowers if interest rates continue to rise.
- Per capita bankruptcy rates for Ohio borrowers remain high relative to the nation, further demonstrating a high degree of financial pressure on Ohio households (see Chart 2). The pace of personal bankruptcy filings accelerated in second quarter 2005, with a 16.7 percent increase in year-over-year filings.

Ohio community institutions¹ reported improved earnings performance.

- Profitability among Ohio-based community institutions improved in second quarter 2005 from one year ago, resulting from higher net interest income, higher noninterest income, and lower provision expense (see Table 1).
- Net interest margins improved from a year earlier as asset yields increased at a faster rate than funding costs. Solid loan growth coupled with a reduction in securities holdings contributed to the increase in asset yields.

Ohio institutions maintain loan coverage ratios well below regional and national levels.

- For the quarter ending June 2005, the reserve coverage of noncurrent loans for Ohio-based community institutions was 125.9 percent versus 176.9 percent for all community institutions nationwide (see Chart 3). Contributing to Ohio's low loan coverage ratio is its higher percentage of noncurrent loans. For the quarter ending June 2005, the percentage of noncurrent loans to total loans for Ohio-based community institutions stood at .90 percent, versus .61 percent for the nation. Nevertheless, the loan coverage ratio is typically lower for Ohio-based community institutions because they have a higher concentration of lower risk 1-4 family residential loans than most other states.

- Future earnings could be affected by the need for additional provisions should economic conditions fail to improve and noncurrent levels remain elevated.

Credit quality remains stable.

- Overall credit quality remained stable despite uneven loan performance across major loan categories (see Chart 4). Past-due loan ratios for construction and development loans and nonresidential real estate loans increased 57 and 20 basis points, respectively, since second quarter 2004. However, except for home equity loans, loan performance improved for all other major loan categories.

Chart 3: Ohio's Loan Coverage Ratio Continues to Diverge from the National Level

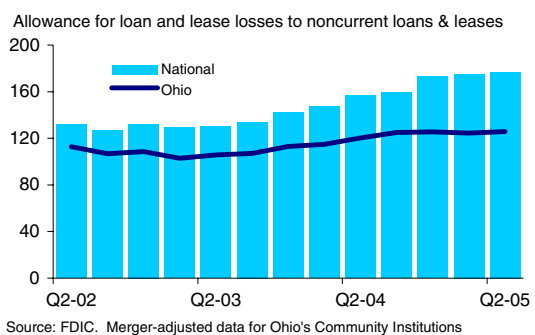
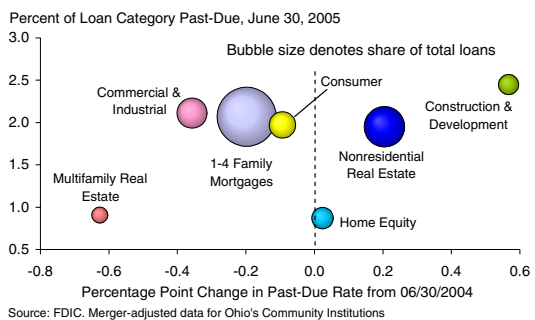


Chart 4: Asset Quality Performance Was Mixed Across Loan Categories



¹Community institutions are insured institutions with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

Ohio at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.3%	0.7%	0.1%	0.2%	-0.9%
Manufacturing (15%)	-0.4%	0.3%	-2.8%	-2.2%	-4.7%
Other (non-manufacturing) Goods-Producing (5%)	0.2%	1.2%	1.9%	1.6%	-2.2%
Private Service-Producing (65%)	0.7%	1.0%	0.7%	0.7%	-0.1%
Government (15%)	-0.7%	-0.5%	0.1%	-0.1%	0.3%
Unemployment Rate (% of labor force)	6.1	6.2	6.1	6.1	6.2

Other Indicators	Q2-05	Q1-05	Q2-04	2004	2003
Personal Income	5.2%	5.3%	5.6%	4.2%	2.8%
Single-Family Home Permits	10.3%	0.1%	-0.9%	-3.4%	5.1%
Multifamily Building Permits	3.2%	2.1%	-15.2%	-12.5%	-8.0%
Existing Home Sales	2.0%	6.3%	7.7%	8.9%	6.8%
Home Price Index	4.8%	4.5%	3.8%	4.1%	3.5%
Bankruptcy Filings per 1000 people (quarterly annualized level)	10.07	8.02	8.62	7.84	7.40

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	2003
Institutions (#)	281	284	301	290	304
Total Assets (in millions)	1,580,101	1,592,278	654,411	1,579,719	647,503
New Institutions (# < 3 years)	3	5	4	4	5
Subchapter S Institutions	22	20	20	20	19

Asset Quality	Q2-05	Q1-05	Q2-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.67	1.75	1.78	1.79	1.89
ALLL/Total Loans (median %)	0.99	0.99	1.02	1.00	1.07
ALLL/Noncurrent Loans (median multiple)	1.31	1.23	1.29	1.30	1.19
Net Loan Losses / Total Loans (median %)	0.05	0.05	0.06	0.13	0.12

Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	2003
Tier 1 Leverage (median %)	9.59	9.58	9.52	9.43	9.26
Return on Assets (median %)	0.96	0.87	0.89	0.87	0.94
Pretax Return on Assets (median %)	1.32	1.19	1.21	1.20	1.32
Net Interest Margin (median %)	3.82	3.80	3.76	3.83	3.80
Yield on Earning Assets (median %)	5.85	5.61	5.41	5.48	5.76
Cost of Funding Earning Assets (median %)	2.00	1.87	1.70	1.71	2.03
Provisions to Avg. Assets (median %)	0.08	0.08	0.09	0.11	0.12
Noninterest Income to Avg. Assets (median %)	0.54	0.46	0.49	0.48	0.54
Overhead to Avg. Assets (median %)	2.81	2.83	2.69	2.75	2.73

Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	2003
Loans to Assets (median %)	71.4	71.2	69.8	70.4	68.9
Noncore Funding to Assets (median %)	19.5	18.9	18.4	18.8	17.7
Long-term Assets to Assets (median %, call filers)	24.1	24.8	25.9	24.4	25.5
Brokered Deposits (number of institutions)	71	69	67	71	64
Brokered Deposits to Assets (median % for those above)	3.8	3.2	4.1	3.3	3.9

Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	2003
Commercial and Industrial	37.4	40.0	42.6	43.5	42.4
Commercial Real Estate	158.0	155.1	149.4	148.7	142.6
<i>Construction & Development</i>	19.7	19.4	17.6	21.2	16.5
<i>Multifamily Residential Real Estate</i>	8.1	7.5	7.3	7.2	7.4
<i>Nonresidential Real Estate</i>	98.9	97.5	94.9	96.5	87.0
Residential Real Estate	323.6	324.5	323.2	327.4	330.6
Consumer	34.8	36.6	39.8	38.1	41.6
Agriculture	10.6	11.0	11.7	11.1	12.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Cleveland-Elyria-Mentor, OH	47	62,258	< \$250 million	203 (72.2%)
Cincinnati-Middletown, OH-KY-IN	92	43,044	\$250 million to \$1 billion	52 (18.5%)
Columbus, OH	58	26,103	\$1 billion to \$10 billion	16 (5.7%)
Akron, OH	29	9,396	> \$10 billion	10 (3.6%)
Dayton, OH	33	9,363		